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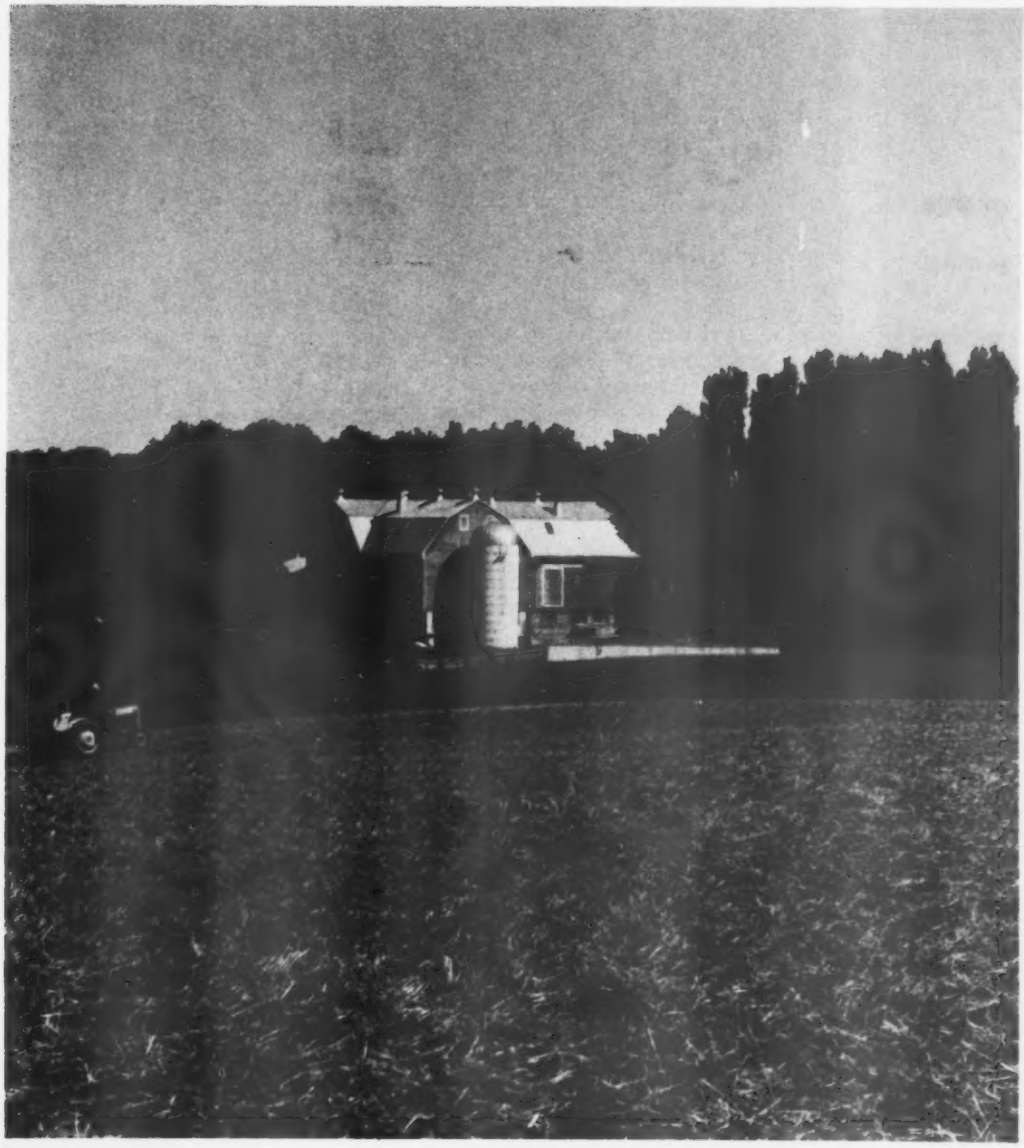

Farm scene, Canada

U.S. Soybeans in Far East Markets

Foreign Agricultural Service
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USDA oilseed expert reports—

Outlook Better for Soybeans In Three Far East Markets

JAPANESE soybean imports may pick up this year following a recession-scarred 1975, says James Iso, FAS oilseed marketing specialist, in a report on three Far Eastern markets—Japan, Taiwan, and South Korea. He sees less promising prospects in South Korea, where recovering demand may be stifled by a severe austerity program, but chances for further import growth in Taiwan, which weathered the 1975 recession better than most countries.

Whatever the final trade results, they will have an appreciable impact on U.S. exports of soybeans since Japan is the largest single U.S. soybean market and Taiwan ranks among the top ten. Combined value of U.S. soybean sales to the three markets totaled over $865 million in 1975, or 30 percent of all such exports.

Japan. With further recovery from its worst recession since World War II, Japan may boost its soybean imports 5 percent this year, Iso says. But such a rebound does not necessarily signal a return to the high growth rate of the last few decades, just as the Japanese do not expect to resume that period's rapid economic growth rate.

Meanwhile, it looks as if Japan's soybean imports in the current Japanese fiscal year (April 1975-March 1976) will total 3.35 million tons, including 2.6 million for crushing and 750,000 for direct food use. An estimated 90 percent of these are moving from the United States.

Profitability continues a key concern of Japan's crushing and livestock feed industries and a pivotal factor behind future demand for imported feed ingredients. "Feed manufacturers were in particularly dire economic straits during the first 6 months of 1975," reports Iso, "having first to reduce their feed prices by $26.60 per ton in April and subsequently another $13.30 per ton in July."

Reflecting the problems, Japanese feed production sank to 16 million tons in January-October 1975 from 17 million in the same period of 1974—a setback for an industry whose average output has risen by nearly 1 million tons per year for the past 8 years.

Oilseed crushers suffered similarly, in the fall of 1975 operating at low capacity and "mostly in the red." By then, however, there were glimmerings of hope for improvement. These came as continued depressed livestock output led to higher prices for meat, especially pork, followed by late-season spurts in livestock production and demand for feed.

Soybean meal usage in feed formulation also picked up late in 1975, rising from an average of 9.56 percent during the first half of 1975 to 11 percent during the last quarter. The high domestic prices of vegetable protein feed during this period brought about an unexpected export of 14,700 tons of Brazilian soybean meal to Japan.

Iso says that the turnaround has prompted some optimism on the part of the Japan Feed Manufacturers Association, which now expects feed production in 1976 to surpass 17 million tons. Other industry sources see output expanding at the rate of 2.2 percent for the next few years, to reach the Ministry of Agriculture's informal estimate of 19-19.5 million tons by 1980.

Once virtually free of competition for the important Japanese soybean market, the United States must now reckon with Brazil as a competitor, while facing Malaysian palm oil in the vegetable oil market. Yet Iso reports that neither Brazil nor Malaysia has made sizable inroads so far in the market.

Brazil's soybean exports to Japan last year, for instance, probably totaled only about 60,000 tons, compared with the 2.8 million tons of U.S. beans shipped to Japan. One trader interviewed by Iso gives the following reasons for this small Brazilian presence:

• The cost of shipping Brazilian beans to Japan in 1975 averaged $5-$10 per ton more than from the United

The article is based on a market inspection trip to the three countries last fall by Mr. Iso, together with Michael P. Phillips of the American Soybean Association, Hudson, Iowa.

Top left, a display of Taiwan-produced cooking and vegetable oils made largely from soybean oil. Left, an American Soybean Assoc., soybean oil campaign in a Japanese supermarket. Above, a Japanese factory for the production of soy sauce.

States. This difference reflected the longer distances from Brazilian ports, plus Brazil's use of smaller ships—14,000-22,000 ton vessels, as opposed to 30,000 tonners or better from U.S. ports. The current dredging of Brazilian harbors to accommodate larger ships, however, indicates that these cost differences could diminish in the future.

- The 10-day-longer shipping time from Brazil is especially important in Japan, where timeliness of cargo is a key market factor;
- Their long-standing use of U.S. beans has given Japanese crushers confidence in the U.S. product and a hesitancy to change sources;
- The sometimes off-coloring of Brazilian beans makes them less acceptable for traditional Japanese foods such as *tofu*.

On the other hand, the Brazilian Government has proposed a bilateral trade agreement under which Japan would import some 300,000 tons of Brazilian soybeans a year on a long-term contract basis. The proposal, reflecting Brazil's eagerness to line up markets for its expanding soybean output, is being reviewed by the Japanese Ministry of Agriculture and Forestry (MAF).

Regarding palm oil, Iso says that so far Japan has not experienced the dramatic rise in palm oil usage expected a few years ago. In fact, its 1975 imports of palm oil declined 7 percent. Much of this palm oil has gone into production of hardened oils and use in "instant noodles."

Iso adds, however, that Japanese imports of palm oil can be expected to rise substantially in the near future as the product becomes more price competitive, domestic palm oil refining capability is developed, and consumer taste preferences change.

Another factor in the Japanese soybean picture is Japan's determination to establish an additional 1-month reserve supply of grain and soybeans. Following up on this goal, the MAF last fall proposed a 5-year plan for the purchase of reserve stocks and construction of new storage facilities. The additional stocks would include 950,000 tons of feedgrains, 300,000 tons of soybeans, and 300,000 tons of wheat. The proposal, acclaimed as "most worthwhile" and "in the public interest," is being explored for the most economic and effective means of implementation.

South Korea. To improve its unfavorable foreign exchange balance, Korea has continued to encourage exports and curtail imports, including grain and oilseed imports.

It is this trade policy, rather than slack demand, that Iso sees limiting opportunities for soybean exports to Korea. Indeed, he reports that demand for vegetable oil continues strong, while the livestock feed industry has emerged from the doldrums of early 1975.

At that time, use of soybean meal

in feed was suffering not only from lagging demand, but also from the stiff price competition of fishmeal, much of it domestically produced, and other local proteins. By the summer of 1975, however, feed sales had begun heading upward, raising hopes for a rebound in soybean use.

ISO REPORTS that the major oilseed crusher and meal supplier in Korea responded to the marketing opportunity by slashing soybean meal prices in July from $260 per ton to $210. "The lucrative oil price offset the lower sales price of meal, thus setting into motion volume soybean meal sales and turning back competition from fishmeal," he adds. As a result, the company's soybean meal sales rebounded from a few hundred tons to 4,600 in the fall, and its officials were predicting a late-season bulge in Korean soybean imports.

These imports are estimated to have reached 30,000 tons in 1975—25 percent below the 40,000-ton Government allocation but well above earlier expectations.

This rebounding demand prompted some trade officials to predict that Korea's soybean meal requirements might reach 70,000 tons in 1976. However, the Government's "restrictive posture on imports" is seen holding raw material imports at the 40,000-ton level authorized for 1975.

Another reason seen by Iso for the Government's import restraints is its goal of soybean self-sufficiency. "The Government production plan," Iso says, "calls for self-sufficiency in soybeans and the country has launched a strong drive in this direction."

He adds that, while current Korean production of soybeans totals about 311,000 tons, a large percentage of this reportedly was consumed on the farm. Moreover, the low-oil variety of bean produced in Korea is "best suited for food use" (such as in *miso*). He adds that knowledgable sources say a shortage of usable cultivable land and priorities on other crop limit the likelihood of Korea's becoming self-sufficient in soybeans.

Still, prospects are continuing to brighten for the livestock feed industry, with chances of its surpassing a long-standing production goal of 1 million tons this year. Spurring the expansion, Korean livestock production is recovering from its depressed state of 1975, with output of broilers, eggs, and hogs all heading upward—the latter helped by the reopening of the Japanese pork market.

Iso says that the actual percentages of soybean meal used in feed rations remain low, ranging from 3 to 6 percent, reflecting the heavy dependence on fishmeal and other forms of protein. Percentages of total proteins used in formulated rations are up to about 20 percent for broilers, 15.5 percent for layers, 14-16 percent for hogs, 13 percent for meat-type cattle, and 14 percent for dairy cattle.

"The Korean Feed Association, which represents the interests of its feed manufacturer members, naturally has had to base its protein choice essentially on economics," Iso says. "Domestic soybean meal in comparison with other local proteins has not been sufficiently economical." He adds that trade members say use could rise to 10 percent in a ration, boosting volume of soybeans used to 100,000 tons from the 35,000 currently used, if the cost "per-protein unit" is right.

For the time being, however, soybean use will be up against import restrictions, not to mention the January 1, 1976, doubling of import duties on soybeans—to 22½ percent from 10 percent previously.

Better opportunities exist in the Korean soybean oil market. "Soy oil prices are good and profitable to crushers, and sales are brisk," he says, adding that through 1975 the imbalance between demand for oil and meal had kept crushers from expanding output.

As with soybean meal, availability of supply appears to be the main handicap to further growth in use of soybean oil, which is supplemented by rapeseed oil, rice bran oil, and others from domestic oilseeds.

Other soy products are finding acceptance in Korea. One noodle manufacturer, for instance, has begun test marketing, and finding growing popularity of, a chocolate flavored soy milk.

Taiwan. Less affected by recession than Japan and Korea—boasting, in fact, an extremely favorable $2-billion foreign reserve surplus—Taiwan continues to expand livestock feeding and consequently its soybean imports. For calendar 1975, U.S. soybean exports to Taiwan totaled more than 900,000 tons, compared with 1974's 491,000.

"Taiwan is the largest per capita consumer of soybeans in the Far East," Iso says, with a per capita soybean oil consumption of about 11 pounds in 1975 (out of 13 pounds for all vegetable oils). He adds, however, that Taiwan foresees domestic availability doubling by 1980 to 150,000 tons, creating the need for "increased demand and new fields of usage." Expanded uses in margarine and shortening manufacture and in new textured soy protein foods are seen as promising areas for expansion, although "technology and demand still appear to lag."

As in the other two markets, Taiwan's feed industry is emerging from a difficult period of slack demand and low profitability, with attendant stress on economic use of ingredients. But Iso cautions that, even though the worst may be over, the fluctuating market conditions that Taiwan sometimes faces can bring abrupt changes—as described by one major broiler producer who saw an "exceptionally good profit of 30 cents per bird" turn to a 25-cent loss in a matter of only a few weeks.

OTHER findings by Iso, based on discussions with industry officials include:

- With recent construction of large, sophisticated crushing plants, many smaller, older mills may be squeezed out of operation;
- Demand for both meal and oil will probably continue to rise in the next few years, with much of oil's expansion coming in the developing margarine and shortening industry as well as in the liquid oil market.
- So far, the Government has imposed no foreign exchange restrictions on imports of soybeans and grains, while as a hedge against sudden price rises it has granted $5 million to industry members to trade in the U.S. futures market.
- The soybean market for the future looks promising.

Japanese Mission Visits Brazil. The Japan International Cooperation Agency recently sent a 14-member mission to Brazil to discuss funding of a 300,000-hectare agricultural project. The undertaking will focus on corn and soybeans on production sites in the States of Minas Gerais, Mato Grosso, and Goias.

The mission was to stay in Brazil for almost 1 month to discuss project plans, including financing and Japan's share of costs.

Middle East-Africa, a Major Market for U.S. Tobacco

By HERBERT F. RUDD
Foreign Commodity Analysis, Tobacco
Foreign Agricultural Service

SALES OF U.S. tobacco to the combined Middle East-North African market have expanded significantly in recent years and now account for a substantial portion of such exports, especially those of tobacco products.

The combined value of U.S. tobacco and tobacco product exports to this region rose from $41 million in 1971 to $146 million in 1975. Shipments of products alone (mostly cigarettes) rose 239 percent to $108 million between 1971 and 1975, while their market share rose in value from 14 percent to 27 percent.

Leading export destinations for U.S. tobacco products in the Middle East-North African market are Iran, Saudi Arabia, Kuwait, Syria, Lebanon, and the United Arab Emirates. Product shipments to most of these countries have shown a steady increase in value since 1971. U.S. export data for 1975 reveal that such U.S. exports to Syria, Iran, Saudi Arabia, and the United Emirates were ahead of those in 1974, while Kuwait and Lebanon reduced their takings by 75 and 52 percent, respectively.

U.S. exports of tobacco leaf to the Middle East-North African area are of less significance than those of U.S. tobacco products. Nevertheless, in 1975 the United States exported 25 million pounds of unmanufactured tobacco to this region with a value of $38 million. This was an increase of 160 percent in quantity and 310 percent in value, compared with those of 1971. Libya, Egypt, Lebanon, and Syria—major 1975 destinations—took 4.6 million, 10.4 million, 3.8 million, and 3.8 million pounds, respectively.

Further expansion of U.S. exports to the region may be hindered by the higher price of U.S. leaf. The cost of U.S. shipments to the area averaged $1.35 per pound in 1974, and $1.50 in 1975. This contrasts with Egyptian leaf imports from all sources averaging 61 cents per pound in 1973, and combined imports by Morocco, Tunisia, and Israel from all suppliers of just 63 cents per pound in 1974.

Assuming cheaper leaf is available from other suppliers, the region is likely to import U.S. leaf principally to flavor blended cigarettes.

U.S. tobacco exports to Egypt in recent years have benefited from P.L. 480 dollar-credit assistance, which financed shipments totaling 7.5 million pounds worth $9.5 million between July and December 1974. An October 1975 concessional sales agreement authorizes $15.8 million in credits to Egypt for the purchase of about 9.3 million pounds of U.S. tobacco and products during fiscal 1976.

If actually made, these sales would be in addition to fiscal 1976 exports of U.S. tobacco to Egypt through January 1976 worth $14 million. As a major Middle East cigarette manufacturer and exporter, Egypt may continue to import substantial quantities of U.S. leaf for use in export-quality cigarettes.

Continued growth of U.S. product and leaf exports to the Mideast and North Africa depends primarily on the United States pricing its tobacco competitively with that of other suppliers and on sustained economic growth and rising consumer incomes in the region. In the long run, U.S. leaf exports may have a greater growth potential than those of tobacco products if local cigarette manufacturing expands and shifts toward blended American-type cigarettes.

The steady growth during the past decade of the region's leaf imports from all sources (including shipments between countries in the region) was sparked by larger purchases by Egypt, Tunisia, Syria, Israel, and Iraq.

Imports by Egypt—accounting for more than half the region's total, reaching 53 million pounds in 1974—were up 69 percent over the 1965-69 annual average. Egypt's most important suppliers were Greece, Bulgaria, the People's Republic of China, India, and the United States. Morocco and Tunisia, also major leaf tobacco importers, purchase a large share of their leaf from Brazil.

A Syrian woman preparing seeds at a tobacco farm near Latakia.

For the region as a whole, 1974 leaf imports from all sources—at 106 million pounds—were up 37 percent over the 1971 level. By contrast, U.S. leaf exports to the region grew at a much faster rate in the same period—240 percent in quantity and 383 percent in value—resulting in a larger U.S. market share.

The Middle East-North African region is an exporter of sizable amounts of tobacco leaf. In 1974, leaf exports (including intraregional shipments) totaled 23 million pounds (dry weight), 15 percent below the 1972 peak, but 61 percent above the 1965-69 average.

Lebanon and Syria are by far the region's dominant exporters, holding a combined share of about 80 percent of its exports. Shipments to the United States account for the bulk of exports from Lebanon and Syria, reaching 13.9 million pounds in 1973, 74 percent of their total unmanufactured tobacco exports.

The region is also a significant producer of tobacco, mostly oriental, semi-oriental, and dark air-cured types. Estimated 1975 leaf production, at 145 million pounds (green weight), is 3 percent higher than the 1965-69 average. Iran, Syria, Iraq, and Lebanon are the major producers in the region, although Algeria, Morocco, and Tunisia also grow substantial crops.

U.K. FARM OUTLOOK: 'GUARDED OPTIMISM'

THE KEYNOTE of British agriculture in 1975 was a mood of disillusionment and a lack of confidence. Bad weather kept crop production down and most sectors of agriculture suffered financial reverses.

The outlook for 1976 is one of guarded optimism by some farmers, with the benefits of European Community membership being spread unevenly throughout the industry.

Farmers had come through the high inflation of 1974 in an already pessimistic mood. Prices of feed, fertilizers, agricultural machinery, repairs and maintenance, interest charges, and general living costs had risen sharply while, at the same time, farmer returns—particularly in the livestock sector—failed to match cost rises.

Even though cereal and sugarbeet growers had good per-ton returns, their production costs had rocketed. It was a year of bitter disappointment for the U.K. farming community, and the crisis of confidence generated in 1975 will not easily or quickly evaporate.

For 1974/75 (June-May), net farm income in the United Kingdom is provisionally estimated to have amounted to only £1,133 million[1], a reduction of £150 million from 1974/74. Total value of farm production was up from that of 1973/74 by 10.5 percent to £4,489 million. The largest relative increase was in the value of crops. Field crops rose by £161 million to £987 million and the value of horticultural output by £89 million to £512 million. Gross returns from the livestock sector were much less favorable and totaled £2,813 million, an increase of only £269 million above 1973/74's.

On the input side, excluding labor, rent, depreciation, and interest, outlays in 1974/75 increased by 20 percent to £2,578 million (including the value of change in farm stocks). Expenditure for feed was up by 11.5 percent to £1,234 million but the worst cost increases occurred in other sectors, particularly for fertilizers, fuel, machinery, and repairs.

Nevertheless the gross product of agriculture in 1974/75—after deducting net inputs—was still marginally (4 percent) above the previous year's and even after 1974/75's heavy depreciation costs, the net profit of the agricultural industry was unchanged from the previous year's. Mounting labor costs and interest charges, however, tipped the balance. The cost of labor rose by 26 percent to £683 million, while interest charges were up by 24 percent to £102 million.

Crop production will benefit more than the livestock sector from the full assimilation of British farming into the CAP. In any case, crop output in 1976/77 will show considerable improvement above 1975/76's shortfalls. As of early January the area of winter wheat was well up from that of a year ago after last autumn's ideal conditions—probably at least to the sown area of 2 years ago. Preparations for spring sowings were also well advanced and some spring barley had been planted by that time.

Pork production should slowly start rising by the middle of the year. Surveys indicate farmers believe that good profits will come from fattening cattle but, with numbers reduced after 1975's heavy slaughter and fewer replacements, the picture will be one of higher prices and better profits from smaller production.

A significant factor in the projections dealing with U.K. farm trade in 1975/76 is for a 22 percent increase in corn imports, from 3.16 million tons in 1974/75 to 3.86 million tons, and a 57 percent rise in grain sorghum imports—from 306,000 tons to 480,000 tons. Feed utilization of barley is expected to fall by 4 percent to 6.31 million tons and of wheat by 30 percent to 2.43 million tons but will nearly be offset by a 62 percent rise in feed use of corn to 2.5 million tons and of sorghum and mixed grain by 35 percent to 560,000 tons.

Crop production in 1975. Extremely poor weather in 1975 was mainly responsible for the sag in production. By the close of 1974, climatic conditions were already less than promising. Because the autumn was one of the wettest on record, sowings of 1974/75 winter cereals and 1975 field preparations were seriously delayed. There was also considerable dread that winter would be exceptionally severe with disastrous consequences for the livestock industry.

During the first few months of 1975 conditions began to look more promising, however. The dreaded severe winter had failed to materialize and livestock producers came through without any serious feed shortage. But spring did not bring hoped-for relief.

Cold weather delayed plantings of spring barley—and especially of potatoes and sugarbeets—for so long that already at the end of May it seemed that 1975 area and yield of many crops would be well down from normal. Snowstorms and freezing weather in June were followed just days later by temperatures in the 80's and for the next 3 months the United Kingdom had the hottest, driest summer since reliable records began to be kept and possibly for more than 200 years.

By the beginning of autumn 1975, the weather at last relented and improved from the last half of September to year-end. Pastures recovered dramatically and because harvesting had been done early, there was plenty of time for autumn cultivation and sowing. By the beginning of 1976, there had been a dramatic recovery in winter wheat sowings and excellent progress had been made with preparations for spring sowings. Continuing very mild weather in January tempted farmers in some temperate areas to commence spring plantings.

All together, U.K. grain production in 1975 amounted to 13.83 million tons, the smallest volume since 1965 and 2.56 million tons below 1974's record production. Nevertheless, last year's grain was generally better in quality than that of a year earlier.

Outturn of wheat for 1975/76 is estimated at 4.44 million tons; barley, 8.44 million; oats, 800,000; mixed small grains, 126,000; and rye, 19,000 tons. In 1974/75, output was: Wheat, 6.13 million tons; barley, 9.13 million; oats, 955,000; mixed small grains, 147,000; and rye, 14,000 tons.

The 1975 potato crop was a disaster. The average yield was only 23.2 tons per hectare, a reduction of 27 percent below the previous year's. Production was down to only 4.73

[1] In 1975, the average exchange rate was £1=US$2.2218.

million tons, 2.06 million tons below that of 1974.

Last year was the second successive bad production year for sugarbeets. Despite delayed plantings and small-sized beets, production was relatively higher—5.31 million tons compared with 4.59 million the previous year. The hot sunny weather, however, failed to bring a significant improvement in the sugar yield, which went only from 13.5 percent in 1974 to 14.7 percent in 1975. Sugar production is provisionally estimated at 780,000 tons (raw value), 162,000 tons above 1974's, but 267,000 tons less than 1973's.

U.K. fruit production in 1975 suffered mixed fortunes. Apple growers were lucky in that blossoming occurred between cold spells and the hot, dry summer—although the extremes restricted fruit size. The crop of dessert apples was 245,000 tons, 35,000 tons above the previous year's. The drought had a more serious effect on cooking apple production, which was down by 30,000 tons to only 100,000 tons.

Many of the elements that troubled the U.K. cattle sector in 1974 were still apparent in 1975 with one important exception: cattle prices were much better. The beef premium payment system worked well and, although beef prices were no longer guaranteed or supported by intervention payments, farmer returns held up even when marketings were at their heaviest.

Low dairy sector returns, fears of a shortage of feed, a reduction in milk yields, and a shortage of good pastures caused farmers to send a larger number of milk cows to be slaughtered for beef. Also, there was a sharp increase in calf slaughter and a large influx of cattle from the Irish Republic. As a result, beef and veal production in 1975 is estimated at 1.23 million tons, 152,000 tons above 1974's and no less than 40 percent above 1973's beef production of 876,000 tons.

FOR THE SECOND YEAR in succession broiler numbers declined and production of poultry meat slipped back, although not as much as between 1973 and 1974. In 1975, total poultry meat production was equivalent to 650,000 head, compared with 656,000 head in 1974. Egg output fell from 1.11 billion dozen in 1974 to 1.08 billion in 1975.

Imports in 1975. U.K. imports of food, animal feed, nonalcoholic beverages, tobacco, hides, oilseeds, animal and vegetable oils, textile fibers, and essential oils in January-November 1975 amounted to £4.38 billion, 10 percent greater than in the same period of 1974. The rise in the gross value of agricultural imports was 22 percent between 1973 and 1974. In real terms, agricultural imports in 1974 had been generally lower than in 1973.

In 1975, imports of principal agricultural commodities declined further in quantity but still helped to bring the farm share to 20 percent of the United Kingdom's total import bill, compared with 19 percent in 1974 and 22.5 percent in 1973.

One of the main factors to emerge in 1975 was the continuing marked increase in the EC market share as the Community remained the principal supplier of the United Kingdom's agricultural imports.

In 1972, the EC-6 provided 13 percent of the United Kingdom's agricultural imports. In the first year of U.K. membership, the enlarged Community provided about one-third and in 1974 the proportion rose to 40 percent. In 1975, the EC share rose to 46 percent, although imports from the EC included a considerable quantity of North American grains and oilseeds transshipped via the Netherlands and Belgium.

Sectors where the EC share of farm imports increased significantly in real terms last year included live cattle from the Irish Republic, decidous fruits, and—most noticeably—dairy products. Paralleling these rises was a decrease in the share of agricultural products from Commonwealth countries, although the 1975 drop was less marked than in recent years.

The U.S. share of U.K. agricultural imports in 1973 and 1974 suffered less than some gloomy forecasters had predicted at the time of the United Kingdom's entry into the Community. In 1975, however, the U.S. share of U.K. agricultural imports still fell to only 6.5 percent. This was largely because of a drop in U.K. tobacco imports, lower animal feed requirements that reduced corn imports in the face of the United Kingdom's huge but relatively low-quality 1974 corn crop, and reduced demand for animal feed.

The total value of U.K. cereal and cereal product imports in January-November 1975 was £550.2 million, only £3.8 million greater than a year earlier. In quantity terms, comparisons varied considerably by commodity. There was a 23 percent increase in wheat imports to 3.2 million tons, yet imports from all three major suppliers—Canada, the United States (direct shipments only), and France declined—but transshipments via the Netherlands and Belgium rose greatly.

Total U.K. corn imports in the 11-month period of 1975, at 2.8 million tons, were 237,000 tons lower than in the previous year. Direct shipments from the United States fell by 123,000 tons to 757,000 tons.

Total rice imports in January-November 1975—at 103,000 tons (milled equivalent)—were hardly changed from the year-earlier level. Imports from the United States were also only a little different at 18,000 tons. Again in 1975 there were large rice imports from Italy, amounting to 32,000 tons; but these were still 5,000 tons smaller than arrivals of Italian rice in the same months of 1974.

Live cattle imports in January-November 1975, at 477,000 head, were 121,000 above the same period of 1974. For the second year in succession there was a sharp fall in U.K. imports of beef and veal. These had already fallen between 1973 and 1974 and the 1975 volume—at 177,000 tons (actual weight)—was 52,000 tons lower than a year earlier. Imports from the Irish Republic, after more than doubling between 1973 and 1974, fell back by 5,000 tons to 87,000 tons. Restrictions on third country imports cut purchases from Argentina to only 2,000 tons, compared with 28,000 tons in January-November 1974.

Offal imports is the only sector of the U.K. livestock and meat market of significant interest to the United States. In January-November 1975, total offal imports from all sources made a significant recovery from the depressed 1974 level to reach 90,000 tons, up 14,000 tons from the same period of a year earlier. Imports from the United States were up by 6,000 tons to 24,000 tons.

—Based on report from WILLIAM L. RODMAN
U.S. Agricultural Attaché, London

Land Use, Income Assurance Linked in British Columbia

By CLANCY V. JEAN
U.S. Agricultural Attaché
Ottawa

ALTHOUGH Canada occupies an area larger by nearly half a million square miles than that of the United States, its actual and potential agricultural land amounts to only 13 percent (120 million hectares, or 296 million acres) of total area, and only half of this agricultural land is suitable for field crops.

Of Canada's total land area, a mere 2.4 percent (21.9 million hectares, or 54 million acres) meets the criteria set for Classes 1 and 2 (the most desirable farmland) as spelled out in the Canada Land Inventory.

Cities, towns, and roads occupy about 4 million hectares (9.9 million acres).

Although accurate data on the transfer of Canadian agricultural land to urban and industrial development are not available, in British Columbia nearly 100,000 acres of agricultural land were irretrievably transferred to urban development between 1962 and 1972.

It is estimated that every increase of 1,000 persons in urban population requires about 200 additional acres of land. At this rate, urban growth in Ontario and Quebec in the next 25 years will require between 741,000 and 1.2 million acres of land, half of which is now productive farm land and concentrated in the Windsor-Toronto-Montreal-Quebec City corridor.

In Canada, where the continuing loss of productive farm land to nonfarm use poses a serious problem to Federal and Provincial officials, the Government of one Province—British Columbia—has taken the first positive steps toward arresting the decline in prime agricultural land area.

In Ontario and Quebec, where farm land is disappearing at a disturbing rate, the steps taken by the British Columbian Government are attracting considerable interest.

Urbanization and industrialization in British Columbia in the late 1960's took about 15,000 acres of prime agricultural land out of production each year. Only 5 percent of British Columbia's 250 million acres consists of arable land, and less than 2 percent of this area is now in agricultural use.

The remaining 80 percent of British Columbia's arable land (about 9.75 million acres) has been placed in the Province's Agricultural Land Reserve (ALR)—a land-preservation program that began in 1972 with the placing of a moratorium on all future use of certain agricultural land for purposes other than farming.

In 1973, the British Columbia Land Commission was established to implement the moratorium. The Commission also was assigned the responsibility for certain greenbelt and parklands, and was empowered to approve or disapprove all proposed highway construction plans.

Land owned by farmers was grouped into seven land classes, and the land-classification plans were submitted to local (regional) governments for review. The Land Commission then reviewed each regional government's comments before submitting the final regional plan to the Provincial Cabinet for approval.

THE AGRICULTURAL land classifications assigned to a particular farm are integrated by cross reference to legal land titles and to building permits. A farmer wishing to assign some of his poorer land to some nonagricultural use would not be able to obtain a building permit unless his proposed land use had been approved, nor could he sell it by subdivision without approval.

For the farmer wishing to sell his entire farm, no approvals are required, but the new owner becomes subject to the land-use restrictions.

One of the more frequent requests to the Land Commission involves separating the farm home by subdivision and selling the remainder of the farm. Such transactions are not possible, and it has become common for the original owner to arrange leaseback of the farmstead from the new owner, thus avoiding the creation of more rural residences in the ALR by separation of farmsteads from farmland.

When the ALR was set up in 1972, many objections were raised by farmers and farm organizations. Farmers nearing retirement claimed the Government had deprived them of the retirement income to be received by selling to developers—an assumption based on the belief that farmland would command higher prices for its development potential than for its use in agriculture.

ALR officials say farmland values have been maintained since the restrictive regulations went into effect, despite the removal of developer demand from the market. Raspberry land in the Fraser Valley, for example, recently was sold at $5,100 per acre.

However, it may be too early to be certain that land values have been unaffected by narrowing the buyer market. Sales prices may still be reflecting earlier values that were influenced by developers.

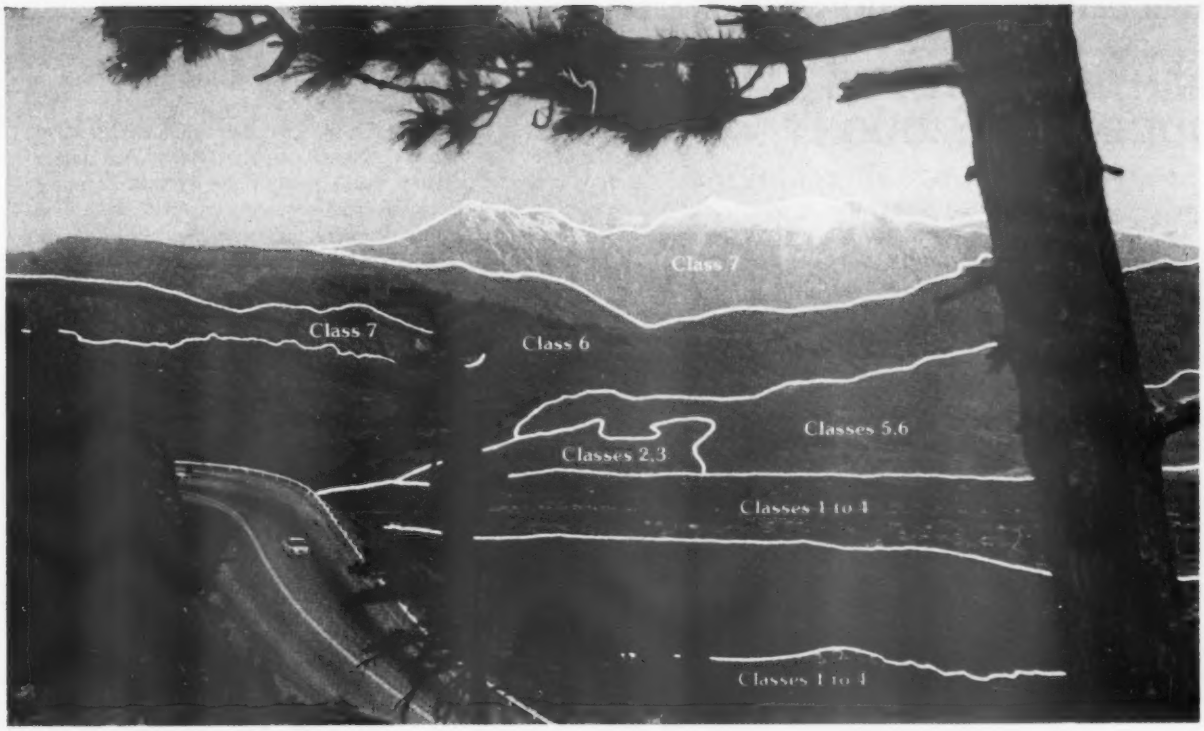
Also, nonfarmers can buy small (e.g., 10 acres) for rural residences and not farm them. Some home buyers find that they get more house for their money in a 10-acre semirural farm than in a suburban subdivision. While such purchases may be a major factor in maintaining prices of farm land, they are not subterfuges.

Nothing in ALR regulations requires that land be farmed. The objective of the ALR system is to keep the remaining farmland from being irretrievably converted to nonfarm uses. Conceivably, farm land could be approved for development of a golf course, for example, on the basis that such use would not preclude its return to agriculture.

There is provision for appeal from ALR rulings, and from the start of the program through March 31, 1975, some 2,550 appeals were filed by landowners and others.

The ALR program has also hastened the Provincial Government into a Farm Income Assistance program that was put into effect in December 1973. Some observers have noted that once any government says in effect, "This land must be farmed in perpetuity," the owner-operator then can be expected to ask, "What about my income?"

The concept of farm-income stabilization in Canada has been in existence for some time. An official British Co-



This British Columbian landscape includes examples of all seven of the official land classes designated by the Province's Land Commission.

lumbian publication states, in part:

"Besides preserving the agricultural land-base of the Province, one of the objectives of the Land Commission Act was to encourage family farming. The Farm Income Assurance Act is a corollary to the Land Commission Act and is a new concept in agribusiness, benefiting both producers and consumers."

At present, income-assurance programs are in effect in British Columbia for nine commodity groups: Dairy, broiler hatching eggs, greenhouse tomatoes and cucumbers, hogs, beef, table eggs, tree fruits, field tomatoes, and blueberries.

These programs operate on the basic insurance concept of protecting farmers against uncontrollable increases in prices of purchased inputs and severe decreases in market returns.

At the same time, the consumer is ensured of a continuing supply of high-quality farm products at relatively stable prices.

Participation in these programs is on a voluntary basis, except for those commodities covered by marketing boards (of which there are several), where participation is mandatory.

To participate in the income-assurance program, a producer must apply to the British Columbia Government through the B.C. Federation of Agriculture, which the Government looks to as the exclusive representative of Provincial farmers.

Industry and Government then develop a model to serve as the basis for determining production costs. The model is designed to be representative of the upper 25 percent of producers, measured in terms of efficiency. Production costs are determined by using this model and data of the 5 latest years.

Premiums, which are shared one-third by producers and two-thirds by Government, are paid into an assurance fund. Indemnities are paid when the market price falls to 95 percent of the

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BRITISH COLUMBIA'S SEVEN CLASSES OF FARMLAND

1—Capable of producing the widest range of vegetables, cereal grains, forages, berry fruits, and numerous specialty crops. Soil and climate combinations are optimum.

2—Capable of producing a wide range of regional crops, as above, with some differences in variety due to minor restrictions of soil or climate.

3—Capable of producing a fairly wide range of regional crops under good management practices. Soil and/or climate limitations are somewhat restrictive.

4—Capable of a restricted range of regional crops, such as hardy cereal grains, hardy vegetables, and forages. Soil and climate limitations demand special management considerations.

5—Capable of production of perennial forage crops only. Soil and/or climate restrictions severely limit the land's capability.

6—Natural rangeland. Soil and/or climate limitations preclude cultivation, but the land may be important in its natural state as grazing land.

7—No agricultural capability whatsoever.

ARGENTINE OUTLOOK CLOUDED BY DROUGHT

ARGENTINE farmers were hard hit in 1975 by falling prices —brought on to a degree by Government policies—and restrictions that limited third-country beef exports to the European Community. Despite earlier predictions that farmers would fare better in 1976 because of a prospective large grain harvest and a possible 50 percent increase in the volume of meat and byproduct exports, the year started off badly because a late-1975 drought darkened grain crop prospects.

Over the years the various Argentine Governments have established agricultural policies that tended to isolate domestic farm prices from movements in the world market. These resulted in producer prices well below those of other major agricultural producing and exporting countries.

The overall policy objectives appear to be to keep urban food prices low (about 75 percent of the country's population is urban); to shift capital away from the rural sector—long thought to have a great trade advantage—to the labor/industrial sector, which operates behind high import barriers; and to provide operating funds for the Central Government. Different Governments have implemented these policies in various ways—by setting export taxes and differing exchange rates, by having State Monopoly Boards make commodity purchases at low, fixed prices for resale overseas at higher world prices, and by establishing export quotas.

As of late 1975, export taxes on different agricultural products varied considerably. The tax on grain, for example, was 50 percent. On vegetable oils and oilseed byproducts, it varied from 12 to 50 percent and for beef it was 5 percent on quarters, although rebates of up to 25 percent were made on some promotional items. The commercial exchange rate applicable to most agricultural exports ended the year at 60.80 pesos=US$1; the special rate for selected commodities was 86.40 pesos to the dollar.

Argentina's cost of living index soared a record 335 percent in 1975, and farm costs apparently rose faster than selling prices. Generally, agriculture was gloomy because of the 60 percent drop in beef exports since 1972, the result of closure of the European Community meat market, a very poor fall harvest season (March-June 1975) that yielded disappointing crops of corn, grain sorghum, sunflowerseed, and soybeans, and frost in July in the northwestern sugar zone that reduced sugar yields. Wheat plantings were delayed somewhat by excess moisture, but indications were the 1975/76 grain harvest might be the best in 10 years.

At the end of the wheat season, however, drought had severely damaged corn stands and halted grain sorghum, sunflowerseed, and soybean plantings, and dashed optimistic hopes over the size of the 1975/76 grain and oilseed crops. The drought lifted somewhat by early January except in the central corn zone, but it was too late to replant summer grains and oilseeds. But early January rains revived pastures in the important cattle fattening zones.

The cut in meat exports to the EC caused Argentine farmers to look to crops to make up their income loss. According to a survey of farmers by the Secretariat of Agriculture and Livestock in October 1975, producers intended to increase corn plantings for harvest in 1976 by 4 percent, grain sorghum by 11 percent, and sunflowerseed by 13 percent.

Another survey by the Cattlemens' Bank indicated that 74 percent of the farmers planned to boost land area under crops over the previous year's level, while 49 percent noted they planned to decrease land devoted to cattle production. Only 5 percent of the farmers indicated their intention to reduce crop area, while only 10 percent said they planned to increase cattle operations.

The survey also indicated that only 17 percent of those surveyed expected to make better incomes in 1976, while 60 percent expected net incomes to fall. In general, 36 percent of the producers thought the outlook for 1976 was good; 36 percent regular; and 28 percent poor.

1975 crop production. Total Argentine agricultural production remained little changed in 1974 and 1975, although output of some individual commodities fluctuated. Higher beef and milk production in 1975 was offset by reduced potato, grain, oilseed, and fruit output. Wool production was virtually unchanged, while sugarcane and cotton outturn was higher.

Beef marketings increased in 1975—despite the sharp drop in exports—to around 12.5 million head, versus 10 million in 1974. Beef production increased 17 percent to 2.5 million tons. With beef exports dropping from 289,000 tons in 1974 (carcass weight equivalent) to 265,000 tons, most of this larger cattle slaughter was absorbed by the domestic market. As a result, per capita consumption increased to close to 90 kilograms in 1975 versus 75 in 1974.

Record cattle numbers should support a further increase in slaughter in 1976, but early-year indications were that the export market may absorb the increase and per capita consumption may rise only marginally.

Pork production declined by around 27 percent in 1975 to 210,000 tons, while mutton and lamb output remained virtually unchanged. Milk production increased by 3 percent to 6.2 billion liters, and wool output—at 159,000 tons (greasy basis)—was higher in 1975. Wool exports for January-November were 68,520 tons versus 40,510 tons during the same 1974 period.

Poultry production jumped by 18 percent in 1975 to 712,000 tons.

Total grain output declined marginally in 1975 to 22.9 million tons, following a slight decrease in 1974. Because of the excessive rains the corn and grain sorghum harvests—at 7.5 million and 4.8 million tons, respectively—were disappointing, but the wheat harvest—at 8.0 million tons—may well be the largest in a decade.

Total grain exports were around 7.8 million tons in 1975, contrasted with 11.1 million in 1974. The late spring/early summer drought reduced 1976 grain export expectations considerably and possibly only 8 million tons may be available for foreign sale.

Oilseed production in 1975 was also affected by the poor fall harvest season and declined 11 percent to 2.2 million tons. Indications are there will be a slight improvement in oilseed production in 1976 but it will be held to a minimum because of the spring/summer drought.

Total fruit production declined 10 percent to 5.7 million

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U.S. Meat, and Sheep Exported To Denmark and India

The Danes are eating U.S. beef and enjoying it, and some consumers in India will be doing the same in the future with mutton from sheep of U.S. origin.

The Danes were introduced to U.S. beef in a group of Copenhagen's beef restaurants last year under a joint program entered into by the restaurant owner, the beef importer, and FAS.

The importer brought in 22,000 pounds of U.S. strip loin steaks for the occasion. Later an additional 20,000 pounds were ordered for December 1975 and January 1976 shipment.

The sheep—160 Rambouillet—arrived at New Delhi's Palaam Airport in December 1975. They were purchased by the West German Government through the Rambouillet Sheep Breeders Association in San Angelo, Texas, for the Indo-German Agricultural Development Project in Uttar Pradesh.

Although primarily intended to improve India's sheep stock, the male offspring will be eaten and the ewes used for herd building.

Above, Ambassador Phillip K. Crowe (left) slices a U.S. steak to launch U.S. beef promotion program in three Copenhagen restaurants in 1975. Looking on from left are exporter Howard L. Rosov of New York; restauranteur Aage Damgaard; Henning Soager, director of Copenhagen's Tivoli Gardens; and importer Torben Lenzberg. Left and below, U.S. Rambouillet sheep arrive at New Delhi's Palaam Airport in December.

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Argentina's Farm Prospects

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tons in 1975, largely as a result of reduced grape production. Production of apples, pears, peaches, plums, and oranges was also lower. Sugarcane production—at 16 million tons—was slightly higher in 1975 than in 1974, but a frost in July cut sucrose yields and sugar production declined 10 percent. This resulted in sugar exports one-third lower than the previous year's.

Tobacco output declined from 98,000 tons in 1974 to 91,000 tons in 1975, but cotton production—at 160,000 tons—was 25 percent higher than the 1974 outturn. Potato output in 1975 was 1.3 million tons, about 25 percent less than the 1974 crop.

Argentine-U.S. farm trade. The systems by which farm products are produced in Argentina are similar to those used in the United States and commodities shipped to Argentina by this country are usually items of high technology such as breeding stock, seeds, and eggs for hatching.

In 1974, the United States sold Argentina $9.6 million worth of agricultural products, including $1.9 million of breeding livestock, $2.4 million of seeds, and $711,000 of eggs. In 1975, sales of all U.S. agricultural items to Argentina totaled $87 million, 10 percent greater than in 1974. Sales of seeds declined 28 percent, but the value of breeding stock (including horses) was up 64 percent. Of total U.S. exports to Argentina in 1975, agricultural items accounted for 1 percent.

On the other hand, the United States is an important market for Argentine farm products, especially for processed meat and sugar. According to U.S. data, in 1974, Argentina's farm exports to the United States were valued at $209.7 million, including $94.8 million of processed beef, $60.2 million of sugar, $5.9 million of tobacco, $5.5 million of cheeses, $4.2 million of vegetable and nut oils, and $3.4 million of fruit juices. In 1975, total U.S. imports of Argentine farm products fell 31 percent in value. Processed meats fell 56 percent; sugar fell 24 percent; tobacco, was up by 27 percent; juice, 31 percent; and wool, 110 percent. About 67 percent of total U.S. imports from Argentina in 1975 were agricultural products.

Items under direct State trading were wheat, corn, and grain sorghum; rice exports passed through the Grain Board. Exports of vegetable oils, with the exception of a 30,000-ton soybean-oil quota, were embargoed and byproduct exports were restricted.

Following the poorest sunflowerseed harvest since 1964, officially reported at only 732,000 tons, the Grain Board purchased the 1974/75 sunflowerseed crop on an "emergency" basis and sold it to crushers at subsidized prices.

In 1975, several farm groups reacted strongly to the low producer prices for cattle and staged two livestock sale stoppages to call the public's attention to their plight. Cattle producers would like to see a closer relationship established between prices paid locally and those on the world market by the setting of a more favorable exchange rate for cattle growers.

—Based on report from
JAMES P. RUDBECK,
U.S. Agricultural Attaché,
Montevideo

British Columbia Land Use

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negotiated cost of production.

Indemnities cover about 75 percent of the deficit between the cost of production and market returns.

Should there be insufficient funds to cover any deficit, the Government advances the amount needed and subsequent annual premium rates are adjusted to recover the deficiency over the next 5 years.

All income assurance contracts negotiated between the British Columbia Department of Agriculture and the B.C. Federation of Agriculture are for 5-year terms.

Basically, the recent land and income developments in British Columbia include a land-classification program that controls use of farmland for nonfarm use, coupled with an income-assurance program as the approach to farm-income stabilization that is arrived at through negotiation between the Provincial Government and an organization representing farmers.

British Columbia's package approach to land and income matters is receiving serious consideration in other provinces. One Federal agricultural official observed recently that not only is the integration of land use and income assurance programs new, but the process involving government recognition of land negotiation with one farm organization also is new.

In the past, governments received the views and recommendations of farm organizations and merely took them into consideration in formulating programs.

The land and income developments adopted by British Columbia may well be forerunners of new national approaches to Canadian agricultural policies. It is possible that British Columbia's recent experience in land and income legislation may be used as a model by other provincial governments as well as by the Federal Government.

*U.S. GOVERNMENT PRINTING OFFICE:1976 211-407/37 1-3